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ECONOMIC DEVELOPMENT POLICIES IN RELATION TO TYPES, SCALE AND LOCATION OF INDUSTRIES AS A FACTOR LIKELY TO INFLUENCE URBANIZATION TRENDS IN ECAFE COUNTRIES

Report prepared by
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Mr ALAGAPPAN (Secretariat) introduced the paper on "Economic Development Policies in Relation to Types, Scale and Location of Industries as a Factor Likely to Influence Urbanization Trends in ECAFE Countries". He said that the paper was divided into two parts, the first dealing with types, scale and location of industries in ECAFE countries as at present and the second dealing with current economic development policies as a factor that would affect urbanization. He said that the influence of governments in this field had been by and large only indirect till almost the beginning of the post-war years. Competition had generally been considered to be beneficial, helping to produce a more efficient allocation of resources and a more healthy production alignment. The resulting industrial development had, however, been somewhat unbalanced in the context of the prevalent resources situation in some countries. Industries in some cases had been modelled on the western pattern using labour-saving machinery and making difficult a fuller utilization of the abundantly available manpower. Advanced techniques and equipment

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had reduced costs but the loss of employment in traditional industries in villages and towns without alternative opportunities had been considerable. The growth of factory industries in cities had generally not evoked the right responses in traditional industries - responses leading to rationalization, use of better techniques, improved equipment, organization, standardization, training etc. and so had resulted in the steady decline of the competitive power of traditional industries. Generally, industry has settled down wherever it has been profitable even though conflicts with the interests of social welfare have developed. Distribution of industries has been uneven and generally there has been a move towards cities.

Mr. Alagappan said that the pattern however was being given a new direction by the current development plans. A study of the investment pattern in the public sector in the ECAFE countries shows how the priority to strengthen the production base calls for large investments in basic overheads and in heavy industries leaving little for investment in a wide range of light industries, which have to be developed on a decentralized basis. The increased demand for consumer goods that is induced by investment in irrigation, power, transport, construction, industrial and other projects under the various development programmes has to be necessarily met by using relatively labour-intensive methods of production. The weight of employment considerations in the region is revealed by the current plans for industrial development. Development of large industry appears to be move for its supporting and supplementary character to small industry i.e. the setting-up of central production plants serving as common facilities and stimulating small industries for essential needs. The move to develop a decentralized economy also gathers strength from the point of view of rational distribution of industry to utilize natural and human resources effectively, helping to save and reduce outlay for the transport system. Building up a decentralized industrial society did not necessarily mean acceptance of an inferior technology. It may, however, be necessary to modify or regulate the pace of application of modern techniques in those spheres where their uncontrolled adoption may cause more harm than good.

Mr. Alagappan said that some of the questions that may be usefully considered by the Seminar were the types of urban centres that would grow. Will new industrial townships bewasteful or should development be more on existing centres? What sort of regional planning is necessary to service a group of urban centres in the area? What are the principal policy measures that should be undertaken to strengthen small industries that are to be developed on a decentralized basis?

MR. WIDJOJO (Indonesia) in his introductory remarks said that the problem of choice has arisen before the planners on the question of location and types of industrial development in the context of urbanization. The Secretariat paper made a point that industry had settled down in many Asian countries wherever it was profitable even though conflicts with interests of social welfare have developed. This was a policy issue which required much attention. Another matter of which the planners are aware of, is that sufficient recognition must be provided in the dangers of the growth of giant cities. No serious direct steps as such have however been taken to arrest this development except for some legislations of varying effectiveness. At present the public investment pattern in the countries of the region shows that considerable priority has been given to develop a more appropriate infra-structure for the economy, which calls for heavy investments in economic overheads and heavy industries. Consideration is also being given to the creation of employment opportunities through the development of industries with low capital/labour ratios. Generally speaking, it can be said that countries in this region have in one form or other tried to stimulate the process of decentralization of industrial development. Some of the questions that require to be considered are: what industrial patterns exist in countries of the region and what industrial patterns are considered as desirable in the economic programmes of these countries? To what extent are these patterns considered as efforts to stimulate decentralized industrial development? To what extent are the desirable industrial patterns in the economic programmes of the several countries in the region based on economic considerations and to what extent is it based on social desirability? To what extent are for instance, the new urban industrial townships created as a result of the establishment of large industries in rural areas, considered as socially desirable? Attention was drawn on the difference between non-economists who mostly consider social welfare as an end in itself in this stage of economic development, whereas economy planners and policy makers consider

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labour as a means to reach higher prodactivity which lead to a higher level of living. The problem of creation of employment opportanities without retarding the technological progress should be seriously considered. Considerations concerning the creation of employment opportunities is only one of the priorities which should be taken into account in development programmes and that these are limits which should be considered if development in the long run is not to be hampered. Economising the use of capital and maximising the use of labour is very desirable, but in other cases the use of the latest technique of production is necessary, as in the case of steel-mills and aluminium-plants. Overemphasis on labour intensive techniques of production may slow down the introduction of better equipment and methods of production in the future. Furthermore it would be appropriate if we discuss what tools are used or will be used to carry out these policies? What machinery exists to implement these policies? To what extent city planning and overall planning on national level and regional planning dovetail together? How far will the licensing system help to achieve proper location of industries? In considering the tools to implement a given industrial pattern, emphasis should not only be given on physical planning forced by legislation, since other development policies also have a direct impact on the locational pattern of industries, such as tax policy, public expenditure policy, tariff policy, wage policy. It is further suggested to discuss the pattern of the infrastructure laid down in government programmes or already carried out, because in the long run policies that determine the type, scale and location of these economic overhead will be largely responsible for the pattern of industrial development and the process of urbanization.

PAKISTAN - The Government of Pakistan directly influences the location and types of industries. This is possible because a comprehensive licensing system exists by which the government achieves control to regulate development. The Pakistan Industrial Development Corporation sponsors investments in industries which are considered to be beneficial to the country. The control on small industries although not so impressive is still comprehensive and is within the province of local authorities.

/ INDONESIA

INDONESIA - The Government of Indonesia has in mind the importance of cottage industries to provide employment. It is realized that particularly savings in transport costs are effected. Care, however, should be exercised to see that mechanization is not hampered. In planning it is important to study the industrial potentiality of towns to estimate the chances of growth.

ICFTU - The ECAFE Secretariat paper has not sufficiently emphasized the importance of cottage and small-scale industries. The rapid population increase, the decrease of available per capita land, low agricultural income, the severe unemployment, the limited absorptive capacity of large-scale manufacturing industries etc., all necessitates the importance of developing small industries. It must be said that the advanced economic development plans in the region including the second five-year plan of India are not giving a sufficiently active role for cottage and small-scale industries.

Dr. PIERSON (Secretariat) in reply to the ICFTU representative drew attention to the analysis on the subject in the Secretariat paper from para. 23 onwards. He pointed out that the classification adopted in the paper distinguishes the location pattern of the various types of small industries and made reference to those complementary and competitive large-scale industries. The importance of tying up small-scale industries with large-scale industries in urban centres for the supplying of essential semi raw materials for use of common facilities was mentioned.

JAPAN - The experience of Japan shows that factories have tended to congregate in the cities despite attempts to decentralize.

SARAWAK - Industrial development is mainly directed by private enterprises with attempts to use the existing surplus labour. Some of the industries like oil refinery, saw-mills, etc. are reoriented. Some light industries have been developed in towns.

/ CHINA

CHINA - Economic development planning in China has emphasized the importance of industrial development. Even though large industries are concentrated in cities, the development of small-scale industries has not been neglected.

U.S.A. - Recent trends reflect decentralization of industries intensively throughout the U.S.A. The problems to be considered in the event of decentralized urban growth are the need for getting ready programme either to expand the existing centres or to provide water supply, drainage, lighting, etc. The U.S.A. planning is done broadly on a regional basis, still leaving room for free play of market forces, giving independence for location and scale of output.

FRANCE - The delegate of France touched upon the problems that arise when decentralization of urban growth is accelerated. He emphasized the importance of planning properly to avoid the pitfalls.

MR. ALAGAPPAN (Secretariat) desired to discuss the point raised by the U.S. delegate about broad planning with independence for the individual producers as for location and scale of output. He said that the problem is different in Asian countries where the small-industry producers require far greater guidance. Much of the small industry in Asia is stagnant using obsolete techniques turning out unstandardized products. Producers are not organized and have hardly any common facilities for procurement or raw materials. The distribution is generally controlled by middlemen whose profit margins inflate the costs. There is hardly any organized maketing. Much of industry is self-financed, which really means very little. Stocking is not possible as production is invariably limited to dwarf size representing a few days work and does not grow into sustained commercial volume. The development of small-industry calls for improvements all along the line. Sufficient importance must be given to development and organization which would bring together the widely dispersed industrial units into voluntary

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trade associations to secure the benefit and advantage of large-scale organization and procurement of raw materials, credit, marketing and research. The usefulness of cooperatives must be explored. Standardization and quality control must be introduced. In this connection, the experiment in Philippines of issuing blue-prints to scale for a number of utility articles was mentioned. Detailed sheets showing patterns, sizes, other specifications and raw materials requirements are circulated to various producers who produced identical articles. The importance of concentrating on relatively simple improved equipment which can be easily adapted as far as possible by local manufacturers, was stressed. It is considered more rewarding to concentrate in the near future on immediately practicable steps such as organization, improvement, standardization, better marketing and financing, improved training and techniques of manufacture, better utilization of raw materials and establishment of centered common facilities. It is considered that the balance must be struck between application of modern technology and provision of employment purposes.

Professor HAUSER summed up by saying that from the discussion it would appear that importance of securing the balance in industrial development as between employment opportunities and technology must be carefully considered. The question of choice appears to be important in resources allocation and as between savings and investment. The point of scattering instead of pooling risks of industries in central planned economies has been raised. The basic question of the place of individual as either a means to an end or an end itself, has been considered. It appears that urbanization in future is likely to be more decentralized in the Asian countries.